



## **RELATED PARTY TRANSACTIONS POLICY**

<b>Sr. No.</b>	<b>Version</b>	<b>Effective date</b>
<b>1.</b>	<b>V1</b>	<b>February 25, 2022</b>
<b>2.</b>	<b>V2</b>	<b>February 13, 2025</b>
<b>3.</b>	<b>V3</b>	<b>May 27, 2026</b>

Material contained herein is the exclusive property of MITCON Consultancy & Engineering Services Limited. Any reproduction, modification, distribution, transmission or republication of the same without prior written permission is strictly prohibited.

## **1. Introduction**

The Board of Directors (“Board”) of MITCON Consultancy & Engineering Services Limited (“Company”) has adopted a policy on Related Party Transactions (“Policy”) and procedures with regard to Related Party Transactions (“RPT”) after considering the recommendation of the Audit Committee, in line with the requirements of Companies Act, 2013 (“Act”) and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) as may be applicable to the Company.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company. This Policy specifically deals with the review and approval of Related Party Transactions.

## **2. Objective of the Policy**

This policy is framed based on SEBI Listing Regulations and the provisions of the Act and is intended to govern the transactions between the Company and its Related Parties. The objective of this Policy is to set out:

- a) Materiality thresholds for Related Party Transactions; and
- b) The manner of dealing with the transactions between the Company and its Related Parties.

## **3. Definitions**

“**Audit Committee**” means “the Committee” constituted by the Board of Directors of the Company under provisions of SEBI Listing Regulations and Companies Act, 2013, as amended from time to time.

“**Associate Company**”, in relation to another company, means a company in which that other Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company.

“**Board**” means the Board of Directors of MITCON Consultancy and Engineering Services Limited, as constituted from time to time.

“**Company**” means MITCON Consultancy and Engineering Services Limited, incorporated under the Companies Act, 1956.

“**Control**” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder’s agreements or voting agreements or in any other manner.

“**Industry Standards**” shall mean the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” as notified by SEBI vide its circular dated June 26, 2025, and subsequently as amended from time to time.

The industry standards are not applicable to RPTs with value less than ₹1 crore in a year.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations or any other applicable law or regulation, each as amended.

**“Key Managerial Personnel”** - As per 2(51) of the Act, Key Managerial Personnel (KMP), in relation to a company, means—

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time Director;
- iv. the Chief Financial Officer;
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

**“Material Related Party Transaction”** means a transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the following:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

**“Policy”** means Related Party Transaction Policy.

**“Related Party(ies)”** means a person or entity that is related to the Company. Parties are related if one party has the ability to control the other party or exercise significant influence over the other party directly or in directly in making the financial and/or operating decisions and includes:

- i. a Director or his Relative;
- ii. a Key Managerial Personnel or his Relative;
- iii. a Firm, in which a Director, Manager or his relative is a partner;
- iv. a Private Company in which a Director or Manager or his relative is a Member or Director;
- v. a Public Company in which a Director or Manager is a Director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act.

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii. any company which is—
  - a) a holding, subsidiary or an associate company of the Company; or
  - b) a subsidiary of a holding company to which the Company is also a subsidiary;
  - c) an investing company or venture of the Company
 (For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.)

- ix. A director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a Company, shall be deemed to be a related party.
- x. any person or entity that is classified as the promoter or promoter group of the Company; and
- xi. any person or entity, holding equity shares in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year as follows:
  - a. 20% or more;
  - b. 10% or more effective from April 1, 2023.
- xii. Any other persons as may be prescribed under the Act or as defined under the applicable accounting standards.

**“Related Party Transaction”**, means a transaction involving a transfer of resources, services or obligations between:

1. the Company or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
2. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries;

regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. sub-division or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- c. retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

**“Relative”** with reference to any person, means anyone who is related to another, if —

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in the following manner- :
  - a. Father (including step-father)
  - b. Mother (including step-mother)
  - c. Son (including step-son)
  - d. Son’s wife
  - e. Daughter
  - f. Daughter’s husband
  - g. Brother (including step-brother)
  - h. Sister (including step-sister)

“**Significant influence**” for the purpose of the above definition shall mean control of at least 20% (twenty per cent) of total voting power or control of or participation in business decisions under an agreement.

Explanation: Any words / terms used in the Policy but not defined herein shall have the same meaning ascribed to it, in the Act or rules made thereunder, the SEBI Listing Regulations, the Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

#### **4. Identification of Related Parties**

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations and the same shall be carried out in accordance with the procedures and controls prescribed under the applicable Standard Operating Procedures (hereinafter referred to as the “SOPs”).

#### **5. Identification of Potential Related Party Transactions**

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1) (zc) of the SEBI Listing Regulations.

Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his/ her Relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and/or the Board.

The identification of potential Related Party Transactions shall be carried out in accordance with the procedures and controls prescribed under the applicable Standard Operating Procedures (hereinafter referred to as the “SOPs”).

#### **6. Review and Approvals of Related Party Transactions**

Any approval of Related Party Transaction, including any material modification shall be carried out in accordance with the procedures and controls prescribed under the applicable Standard Operating Procedures (hereinafter referred to as the “SOPs”).

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction specifically mentioned in *Annexure I*, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

#### **7. Rules for Transactions with Related Parties which are in Ordinary Course of Business/ on arm’s length except Specific Transactions**

Transactions with Related Parties which are in Ordinary Course of Business of the Company and on arm’s length shall be periodically disclosed to the Audit Committee/Board. Transactions being entered into with the Related Parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm’s length pricing. It shall be the responsibility of the Responsible Person to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on

arm's length basis and shall be carried out in accordance with the procedures and controls prescribed under the applicable Standard Operating Procedures (hereinafter referred to as the "SOPs").

#### **8. Related Party Transactions not previously approved**

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.

#### **9. Disclosures**

- The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.
- The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, in the Statement to the notice being sent to shareholders seeking their approval for proposed RPTs as applicable.
- The Company shall provide disclosure of the Related Party Transactions to stock exchanges where the Company's securities are listed, in the format as specified by the SEBI/stock exchanges from time to time and within statutory timelines. The Company shall simultaneously upload the disclosure at its website.

#### **10. Transfer Pricing Compliance**

All Related Party Transactions involving the transfer of goods, services, intangibles, financing arrangements, cost allocations, or any other inter-company transactions shall be conducted on an arm's length basis and in compliance with the applicable transfer pricing provisions under the Income-tax Act, 1961, applicable Rules, and other relevant laws and regulations.

The Company shall ensure that:

- Pricing of such transactions is supported by contemporaneous transfer pricing documentation and benchmarking studies, wherever applicable;
- Determination of arm's length price shall be dealt with in accordance with the procedures and controls prescribed under the applicable Standard Operating Procedures (hereinafter referred to as the "SOPs").
- Transactions are backed by commercial rationale and substance;
- Necessary certifications, filings, disclosures, and reporting requirements are duly complied with;

- Periodic review and monitoring of related party transactions is undertaken to ensure continued compliance with transfer pricing regulations.

Any deviation from the arm's length principle or non-compliance with transfer pricing regulations shall be promptly reported to the Audit Committee/Board, along with corrective actions.

### **11. Exceptions**

Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:

- a) Any transaction involving the providing of compensation (including stock options) to a Director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment. However, any remuneration and sitting fees paid by the Company or any of its subsidiary to its Director, Key managerial Personnel or senior management, who is part of promoter or promoter group shall require approval of the audit committee. Further, any remuneration and sitting fees paid by the Company or any of its subsidiary to its Director, Key managerial Personnel or senior management, shall require approval of the audit Committee if the same is a material related party transaction as per SEBI Listing Regulations, 2015.
- b) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- c) Transactions that have been approved by the Board under specific provisions of the Act e.g. intercorporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- d) Transactions arising out of corporate restructuring, compromises, arrangements and amalgamations dealt with under specific provisions of the Act, will not attract the requirements of Section 188 of the Act. (MCA vide General Circular No. 30/2014 dated July 17, 2014).
- e) Contribution to Corporate Social Responsibility (CSR) obligations, subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

### **12. Policy Review and Amendments**

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and at least once in three years and appropriate recommendations shall be made by the Audit Committee to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

### **13. Interpretation**

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI Listing Regulations, Accounting Standards or any other relevant legislation / law applicable to the Company.

This Policy is framed based on the provisions of the SEBI Listing Regulations and Section 188 of the Act read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014. In case of any subsequent changes in the provisions of the aforementioned statutes, the statutes would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with

prevailing law. Any subsequent amendment/modification in SEBI Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

#### **14. Compliance Responsibility**

Compliance of this Policy shall be the responsibility of the President & Chief Financial Officer and Sr. VP – Head of Compliance & Legal of the Company, severally, who shall have the power to ask for any information or clarifications from the management in this regard.

<b>Prepared By</b>	<b>Reviewed By</b>	<b>Approved By</b>
<b>Ms. Ankita Agarwal (Company Secretary)</b>	<b>Audit Committee</b>	<b>Board of Directors</b>

**ANNEXURE 1**

**Information to be provided to the Audit Committee / Board in relation to the proposed Related Party Transaction (to the extent relevant to the transaction):**

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such % calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
    - nature of indebtedness,
    - cost of funds and
    - tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

The Audit Committee shall also review the status of long-term (more than one year) or recurring related party transactions on an annual basis.

**Information to be provided to Shareholders for consideration of RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the audit committee as specified above;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point (f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

## **SOPs FOR RELATED PARTY TRANSACTION GOVERNANCE**

### **1. Objective**

The objective of this SOP is to lay down a uniform, transparent, and compliant process for identification, approval, execution, monitoring, and disclosure of Related Party Transactions entered into by the Company, in accordance with applicable laws and regulations.

### **2. Scope**

This SOP shall apply to all Related Party Transactions entered into by the Company, whether in the ordinary course of business or otherwise, including transactions with directors, key managerial personnel, their relatives, subsidiaries, associates, joint ventures, or any other related party as defined under applicable laws.

### **3. Regulatory Framework**

This SOP is framed in accordance with:

- Section 2(76) and Section 188 of the Companies Act, 2013
- Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Industry Standards specified by SEBI
- Applicable Accounting Standards (AS 18 and Ind AS 24)
- Related Party Transactions Policy of the Company

### **SOP 1: Identification of Related Parties (RP)**

**Objective:** To ensure a comprehensive identification of all individuals and entities qualifying as RPs. Any Vendor to be created, shall be approved by CS and CFO with respect to its nature for Related Party.

- 1. Annual Declaration:** Every Director and Key Managerial Personnel (KMP) shall submit a declaration in Form MBP-1 and a list of relatives at the start of the financial year and as and when the interest changes.
- 2. Definition Mapping:** The Secretarial Team shall map these declarations against:
  - **Section 2(76)** of the Companies Act (Entity-based).
  - **Regulation 2(1) (zb)** of SEBI LODR (Promoter Group/Shareholding based).
- 3. Entity Scrubbing:** For corporate shareholders holding >10% (or 20% as per IND AS 24), the CS team shall identify their ultimate beneficial owners and board members.
- 4. Verification:** The CS shall verify the "Promoter Group" status as per the latest shareholding pattern filed with the exchange.
- 5. Certification:** The list of identified Related Parties shall be certified by Statutory Auditor and Secretarial Auditor

### **SOP 2: Identification of Related Party Transactions (RPT)**

**Objective:** To flag transactions *before* they are executed to ensure prior Audit Committee approval.

1. **Threshold Trigger:** The Finance Department shall flag any transaction involving an entity/individual present in the "Master List" (see SOP 3).
2. **Nature Assessment:** The CFO/CS shall categorize the transaction:
  - **Ordinary Course of Business:** Is it part of MITCON's regular consultancy/engineering services?
  - **Arm's Length Basis:** Is the pricing comparable to a third-party quote?

### 3. Materiality Test:

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

4. **Omnibus Approval:** For repetitive transactions, the Audit Committee shall grant an "Omnibus Approval" valid for one financial year.

### SOP 3: Preparation & Maintenance of Master List

**Objective:** To maintain a "Live Database" for the Finance/ERP system.

1. **The Registry:** A digital "RP Master List" shall be maintained containing:
  - Name and PAN of the Related Party.
  - Nature of relationship.
  - Date of empanelment/identification.
2. **ERP Integration:** The Master List shall be integrated into MITCON's accounting software.

### SOP 4: Responsibility & Update Matrix

**Objective:** To define accountability for data accuracy.

Activity	Responsibility	Frequency	Reviewing Authority
Collection of MBP-1 Declarations	Company Secretary	Annually (April) and as and when changes occurred	Audit Committee
Updation of Master List	CS & Finance Team	Quarterly	CFO

ERP Tagging of RPs.	IT/Accounts Dept.	Immediate (within 48 hrs of change)	Company Secretary
Compare ERP Vendor master with our Master file	CS & Finance Team	Quarterly	CFO and Company Secretary
Internal Audit of RPTs	Internal Auditor	Half-Yearly	Audit Committee
Disclosure to Stock Exchange	Company Secretary	Half-Yearly (within 15 days)	Board of Directors

### **SOP 5: Certification & Reporting**

**Objective:** To provide formal assurance to the Board and Auditors.

- Quarterly Certification:** The CFO and CS shall jointly certify to the Audit Committee that:
  - All RPTs were identified and approved.
  - No "Significant Unusual Transactions" (as per NFRA 2026) were missed.
- Statutory Auditor/Secretarial Auditor/ Internal Auditor Confirmation:** The Statutory Auditor shall be provided with the "Master List" at the start of the audit to ensure independent verification.
- Annual Report:** The **Form AOC-2** shall be prepared by the CS, detailing contracts not at arm's length or material contracts at arm's length.

### **SOP 6: Handling "Significant Unusual Transactions" (NFRA 2026 Compliance)**

- Definition:** Any transaction that is complex, involves circuitous flow of funds, or is outside the normal scope of MITCON's engineering/consultancy business.
- Reporting:** Such transactions must be reported to the Audit Committee *immediately*, regardless of the Amount.
- Independent Valuation:** For any unusual transaction with an RP, a registered valuer's report is mandatory to prove "Arm's Length."

### **SOP 7: Approval of Related Party Transaction**

#### **Audit Committee Level**

Sr. No.	Category of Transaction	Action Required	Approving Authority	Comments
1.	Any Related Party Transaction (RPT) including material modification	Prior approval	Audit Committee	Approval may be through meeting, circulation, or any manner permitted under law
2.	Urgent RPT	Approval by circulation	Audit Committee	Subject to threshold limits fixed by Board
3.	Approval of RPT	Voting	Only Independent Directors of Audit Committee	Interested members shall abstain

4.	Definition of “Material Modification”	Formulation & disclosure	Audit Committee	To be disclosed in RPT policy
5.	RPTs exceeding materiality thresholds	Classification as Material RPT	Audit Committee	Thresholds as per Schedule XII of SEBI LODR
6.	RPTs of subsidiary (listed entity not a party) exceeding ₹1 crore	Prior approval	Audit Committee of listed entity	If exceeds lower of 10% of subsidiary turnover or listed entity materiality threshold
7.	Subsidiary RPTs where subsidiary has no audited financials	Prior approval	Audit Committee of listed entity	If exceeds lower of 10% of paid-up capital + securities premium or materiality threshold
8.	Listed subsidiary RPTs	Approval exemption	—	If Reg. 23 & Reg. 15(2) apply
9.	RPTs of unlisted subsidiaries of listed subsidiary	Prior approval	Audit Committee of listed subsidiary	Approval of listed subsidiary not required
10.	Remuneration / sitting fees (non-promoter KMP / senior management)	No approval required	—	Provided transaction is not material
11.	Repetitive RPTs	Omnibus approval	Audit Committee	Subject to conditions under Act & LODR
12.	Post-omnibus new RPT	Ratification	Audit Committee	To be placed at next meeting
13.	Periodic review	Review of statement of significant RPTs	Audit Committee	As per terms of reference
14.	Recommendation	Recommendation to Board / Shareholders	Audit Committee	Based on interest of Company & no conflict

### Board of Directors

Sr. No.	Category	Action Required	Approving Authority	Comments
1.	RPTs referred by Audit Committee	Approval	Board of Directors	Includes complex / judgment-based transactions
2.	RPT where ordinary course / arm’s length cannot be determined	Approval	Board of Directors	As referred by Audit Committee
3.	RPT in ordinary course & arm’s length but requiring oversight	Approval	Board of Directors	Based on Audit Committee recommendation
4.	Material RPTs and material modifications	Approval & recommendation	Board of Directors	To be placed before shareholders
5.	Director interest in RPT	Abstention	Concerned Director	Director shall not be present during discussion

## Shareholders

Sr. No.	Category	Action Required	Approving Authority	Comments
1.	RPTs exceeding thresholds under Companies Act, 2013	Approval	Shareholders	Based on Audit Committee recommendation and Board Approval
2.	Material RPTs under SEBI LODR	Approval	Shareholders	Based on Audit Committee recommendation and Board Approval
3.	RPTs with wholly owned subsidiaries	Approval	Shareholders pursuant to Regulation 23 of SEBI Listing Regulations	Based on Audit Committee recommendation and Board Approval

## **SOP 8: DETERMINATION OF ARMS LENGTH AND ORDINARY COURSE OF BUSINESS**

### 1. Purchases & Expenses

Items Covered: Goods & Services

### 2. Sales

Items Covered: Goods & Services

### 3. Loans & Advances

Items Covered: -Inter-corporate Loans, Advances & Deposits

## **A. Process to determine “Ordinary Course Of Business” (OCB)**

### Identify Nature of Transaction

Business team submits an **RPT Initiation Note** specifying:

- Description of goods / services
- Business rationale
- Frequency (one-time / recurring)
- Counterparty relationship

### Benchmark Against Core Business Activities

Transaction shall be considered **in ordinary course of business** if **all** of the following are satisfied:

Test	Assessment Criteria
Objects Test	Covered under the Company’s Memorandum of Association
Historical Test	Similar transactions executed in past with unrelated parties
Industry Practice Test	Commonly undertaken by comparable companies
Revenue / Cost Test	Not abnormal in size or nature
Strategic Test	Supports ongoing operations, not a special arrangement

### Red-Flag Indicators (OCB Failure)

Transaction is **NOT** in ordinary course if:

- One-off or exceptional in nature
- Unrelated to principal business
- Structured only to benefit Related Party
- Creates long-term obligations without commercial necessity

### Documentation

Prepare **OCB Justification Memo** including:

- Past transaction samples
- Industry references
- Management certification

Reviewed by **Legal / Secretarial / Finance**.

### Approval

- Audit Committee confirms OCB status
- In case of doubt → treated as **not in OCB** (conservative approach)

### **B. Process to determine “Arm’s Length Basis” (ALP)**

#### Define Transaction Economics

Identify:

- Pricing mechanism
- Payment terms
- Volume commitments
- Credit period
- Risk allocation

#### Select Benchmarking Method

Any one or more of the following may be adopted:

Method	Applicability
Comparable Uncontrolled Price (CUP)	Identical / similar external transactions
Internal Benchmarking	Past third-party transactions
Cost-Plus	Services / EPC / shared services
Market Quotations	Commodities, power, logistics
Independent Valuation	High-value / complex deals

#### Obtain Evidence

At least **one of the following**, two for material RPTs:

- Third-party quotations
- Comparable contracts
- Published price indices
- Transfer pricing study
- Independent valuer certificate

## **Management Certification**

CFO / Business Head certifies: “The transaction is at arm’s length and comparable to transactions with unrelated parties.”

## **Audit Committee Review**

Audit Committee evaluates:

- Benchmarking robustness
- Pricing deviations
- Whether Related Party derives undue benefit

## **C. Special Cases**

### **1. Cost-Sharing / Shared Services**

- Allocation keys documented (headcount, revenue, usage)
- No mark-up unless charged to third parties

### **2. EPC / Infrastructure / Energy Projects**

- Independent cost estimate
- Margin benchmarking with similar EPC contracts
- Stage-wise pricing review

### **3. Loans, Guarantees, Advances**

- Interest rate benchmarked to market rates
- Security comparable to third-party terms
- Tenure and covenants evaluated